

Message Text

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71

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-10 SS-15 STR-08 RSR-01 /181 W

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R 111811 Z APR 73

FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 5036
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA
USMISSION OECD PARIS UNN

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PASS AGRICULTURE

PARIS PASS SEC BUTZ AND IOANES

E. O.11652: N/ A

TAGS: EAGR, ETRD, EEC

SUBJECT: APRIL 9-10 EC COUNCIL OF MINISTERS
(AGRICULTURAL) MEETING

REF: A. EC BRUSSELS 1598 B. EC BRUSSELS 1974
C. EC BRUSSELS 1913 D. EC A-95

1. SUMMARY: THE EC COUNCIL OF MINISTERS (AGRICULTURAL)
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MET IN LUXEMBOURG ON APRIL 9-10 FOR A THOROUGH EXCHANGE OF VIEWS ON THE COMMISSION'S 1973/74 PRICE PROPOSALS. THERE WAS A WIDE DIVERGENCE OF VIEWS ON THESE PROPOSALS WHICH LINK A GENERAL 2.76 PERCENT INCREASE IN SUPPORT PRICES (CALCULATED IN UNITS OF ACCOUNT) WITH THE REALIGNMENT OF NATIONAL PRICES IN MOST MEMBER STATES. ACCEPTANCE OF THIS PROPOSAL WOULD ABOLISH MONETARY COMPENSATORY AMOUNTS IN THE FARM TRADE OF ALL MEMBER STATES WHERE EXCHANGE RATES ARE FIXED VIS- A- VIS EACH OTHER AND FLOAT IN COMMON RELATIVE TO THE DOLLAR. LARDINOIS EXUDED CONFIDENCE THAT AGREEMENT ON THE COMMISSION'S PROPOSAL (OR POSSIBLY ON A MODIFIED PROPOSAL) WILL BE OBTAINED AT THE NEXT COUNCIL MEETING BEGINNING APRIL 16. THIS CONFIDENCE WAS NOT SHARED BY ALL MEMBER STATES, IN PARTICULAR THE GERMANS AND THE U. K. IN THE COURSE OF THE DISCUSSIONS, CHIRAC, THE FRENCH MINISTER OF AGRICULTURE, REQUESTED THE COMMISSION TO PRESENT AT NEXT WEEK'S MEETING A PROPOSAL FOR A CAP FOR SOYBEANS. HE ALSO SUGGESTED THAT THE COMMUNITY ESTABLISH A MARGARINE TAX TO AID THE DOMESTIC DISPOSAL OF BUTTER. IN SPITE OF THE WIDE DIVERGENCIES OF VIEWS, IT IS NOT IMPOSSIBLE THAT A COMPROMISE SOLUTION ON PRICES MAY BE REACHED INNEXT WEEK'S COUNCIL MEETING. END SUMMARY.

2. SINCE THE COMMISSION PROPOSAL LINKS A GENERAL PRICE INCREASE CALCULATED IN UNITS OF ACCOUNT WITHA RESTORATION OF THE COMMON PRICE SYSTEM AT LEAST IN THE MEMBER STATES WHERE CURRENCIES ARE NOT PRESENTLY FLOATING VIS- A- VIS EACH OTHER, ACCEPTANCE OF THE COMMISSION'S PROPOSAL WOULD MEAN A FAR- REACHING PRICE FREEZE IN SEVERAL MEMBER STATES, PARTICULARLY GERMANY (REFA). THE GERMANS STATED THAT THIS PROPOSAL IS TOTALLY UNACCEPTABLE. THEY INSISTED THAT PRICES IN 1973/74 SHOULD BE RAISED AND THAT THERE BE NO LINK BETWEEN THENATIONAL PRICESA AND THE PRICES EXPRESSED IN UNITS OF ACCOUNT. THE U. K. ON THE OTHER HAND, REJUECTED ANY INCREASES (EXCEPT MODERATE ONES FOR BEEF AND SKIM MILK POWDER) ON THE GROUNDS THAT THEY WOULD CONTRIBUTE TO INFLATION, IN BETWEEN THESE TWO EXTREME POSITIONS, THERE WERE VARIOUS SHADES OF OPINION, THE BELGIANS TENDING MORE TOWARD THE GERMAN LIMITED OFFICIAL USE

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POSITION, THE DUTCH AND THE DANES MORE TOWARD THE

COMMISSION POSITION, WHILE THE ITALIANS SUPPORTED THE
LINK BETWEEN PRICE RISES AND A RESTORATION OF THE
COMMON PRICE SYSTEM. THE ITALIAN POSITION IS THE
MORE SURPRISING AS AS ACCEPTANCE OF THE COMMISSION
PROPOSAL WOULD MEAN STRONGER PRICE INCREASES RENCE TO BE HELD AT
HEADQUARTERS, NEW YORK, ON
THURSDAY, 26 APRIL 1973, AT 11:00 A. M. 1. OPENING OF
THE SESSION. 2. ADOPTION OF THE AGENDA. 3. ELECTION OF
OFFICERS."

3. DEPARTMENT REPEAT AS DESIRED.

DECONTROL AFTER APRIL 11, 1974. RIMESTAD

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ADP000

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 AID-20 CEA-02 CIAE-00

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RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

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----- 044083

R 111811 Z APR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5037

INFO AMEMBASSY BONN

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4. LARDINOIS TOLD THE COUNCIL THAT IF THE LINK BETWEEN PRICE AND MONETARY PROPOSALS WERE NOT ACCEPTED, THE COMMISSION WOULD MAKE NEW PRICE PROPOSALS CALLING FOR A COMPLETE PRICE FREEZE. HOWEVER, IN PRIVATE HE LET IT BE KNOWN THAT INSTEAD OF PROPOSING A GENERAL PRICE INCREASE OF 2.76 PERCENT, HE MIGHT PROPOSE 3.76 PERCENT. SUCH A PROPOSAL MAY BE MORE ACCEPTABLE TO THE GERMANS. IT WOULD GIVE THEM A TIKEN PRICE INCREASE OF ONE LIMITED OFFICIAL USE

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PERCENT FOR MOST GRAINS WHICH, AS IS BELIEVED IN COMMUNITY CIRCLES, COULD BE SUPPLEMENTED BY NATIONAL TVA ADJUSTMENTS AND ADDITIONAL (POSSIBLY COMMUNITY FINANCED) DIRECT SUPPORT PAYMENTS. IF SUCH A PROPOSAL WERE TO LEAD TO TOO HIGH AN INCREASE IN FRENCH GRAIN PRICES (AS APPARENTLY INDICATED BY MINISTER CHIRAC), THE FRENCH COULD TAX PART OF THE INCREASE AWAY BY MEANS OF THEIR TAX EQUALIZATION SCHEME.

5. IN CONNECTION WITH A DISCUSSION ON THE BUTTER INTERVENTION PRICE, CT 13,500 MEN IN THE SOMALI ARMED FORCES. THE UNITED STATES HAS SOME 100 MILITARY ADVISERS IN ETHIOPIA, WHERE THE ARMED FORCES NUMBER ABOUT 45,000 AND HAS LONG MAINTAINED A MAJOR LONG-RANGE COMMUNICATIONS CENTER THERE.

THERE ARE PERSISTENT REPORTS THAT SOMALIA HAS AGREED TO ALLOW SOVIET MEDIUM-RANGE JETS TO OPERATE FROM HER TERRITORY IN RETURN FOR SOVIET AGREEMENT TO EXPAND THE AIRFIELD AT BERBERA, ON THE GULF OF ADEN.

IN RECENT MONTHS THE RUSSIANS HAVE SUPPLIED THE TINY SOMALI ARMED FORCES WITH MODEST NUMBERS OF IL-28 MEDIUM BOMBERS, MIG-15 FIGHTERS, P-6 TORPEDO BOATS, ARMORED PERSONNEL CARRIERS AND ANTI-AIRCRAFT ARTILLERY.

THE RUSSIANS HAVE ESTABLISHED ANCHORAGES OFF THE COAST AND SENT WARSHIPS ON 20 VISITS TO BERBERA LAST YEAR.

"WE DON'T KNOW QUITE WHAT TO MAKE OF THIS FLURRY OF ACTIVITY IN SOMALIA," A SENIOR PLANNER SAID. "THE RUSSIANS APPEAR TO BE EXPLOITING SOMALIA'S TENSION WITH ETHIOPIA TO ESTABLISH A CONVENIENT LODGMENT ON THE EASTERN COAST OF AFRICA FROM WHICH THEY CAN COORDINATE GROWING NAVAL

ACTIVITY THROUGHOUT THE INDIAN OCEAN, PERSIAN GULF AND RED SEA."

OFFICIALS WOULD NOT DISCLOSE THE EXACT LOCATION OF THE BASE.

IN PAST YEARS, ANALYSTS SAY, SOMALI POLITICIANS HAVE CALLED FOR A GREATER SOMALILAND EMBRACING CONTIGUOUS TERRITORY IN EASTERN ETHIOPIA AND NORTHERN KENYA, EACH OF WHICH IS LIMITED OFFICIAL USE

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BELIEVED TO CONTAIN HALF A MILLION SOMALIAN NOMADS. THERE HAS BEEN SPORADIC INSURGENT ACTIVITY IN EASTERN ETHIOPIA, THE ANALYSTS SAY, AND FRICTION BETWEEN SOMALIA AND ETHIOPIA HAS NOT EASED.

MARSHAL ANDREI A. GRECHKO, THE SOVIET DEFENSE MINISTER, VISITED SOMALIA IN FEBRUARY OF LAST YEAR AND MOST OF THE BUILD-UP OF ADVISORS, WAR MATERIAL AND SOVIET CONSTRUCTION AT AIRFIELDS AND SEAPORTS HAS OCCURRED SINCE THEN.

SHORTLY AFTER THE MARSHAL'S VISIT, WESTERN INTELLIGENCE PICKED UP REPORTS THAT MAJ. GEN. MOHAMMED SIAD BARRE, THE

PRESIDENT OF SOMALIA, HAD AGREED TO ALLOW SOVIET USE OF STAGING, MAINTENANCE AND REFUELING FACILITIES AT THE BERERA AIRFIELD IN RETURN FOR SOVIET AGREEMENT TO EXPAND AND MODERNIZE THAT AIRPORT.

UNTIL THE EGYPTIAN EXPULSION LAST SUMMER OF RUSSIAN PILOTS AND MILITARY ADVISERS, THE SOVIET UNION OPERATED A SQUADRON OF TU-16 RECONNAISSANCE PLANES, ARMED WITH AIR-TO-SURFACE MISSILES, OVER THE AMERICAN AND SOVIET FLEETS IN THE MEDITERRANEAN. SOME ANALYSTS BELIEVE THAT THE RUSSIANS WOULD LIKE ONE OR MORE SIMILAR BASES FOR INDIAN OCEAN SURVEILLANCE.

THE MILITARY AIRFIELD AT BARBERA IS BEING EXPANDED AND A NEW FIELD IS UNDER CONSTRUCTION NEAR THE CAPITAL CITY OF MOGADISHU, ON THE INDIAN OCEAN, BUT RUSSIAN-PILOTED AIRCRAFT ARE NOT BELIEVED TO HAVE LANDED IN SOMALIA EXCEPT TO DELIVER MILITARY EQUIPMENT.

THE RUSSIANS REPORTEDLY ALSO HAVE A SUBSTANTIAL NUMBER OF POLITICAL ADVISERS AT WHAT ONE OFFICIAL CALLED "NEARLY EVERY LEVEL OF THE SOMALI GOVERNMENT," INCLUDING PRESIDENT SIAD'S OFFICE AND THE NATIONAL SECURITY SERVICE.
ROGERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU01998
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730439/aaaaibqp.tel
Line Count: 280
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 EC BRUSSELS 1598, 73 EC BRUSSELS 1974, 73 EC BRUSSELS 119131913 D. EC A-95
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by worrelsw>; APPROVED <06-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971217
Subject: APRIL 9-10 EC COUNCIL OF MINISTERS (AGRICULTURAL) MEETING
TAGS: EAGR, ETRD, BE, EEC
To: BONN
BRUSSELS
COPENHAGEN
DUBLIN
EUR
LONDON
LUXEMBOURG

SECSTATE WASHDC

THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005